

UGG Required Written Procedures

The Tale of the Business Manager and the Auditor

DPI/WASBO Federal Funding Conference

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Written Procedures In Your District

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Minimum Required Procedures

1. Verifying Allowable Costs
2. Cash Management
3. Conflict of Interest

[https://dpi.wi.gov/wisegrants/
uniform-grant-guidance/writtenprocedures](https://dpi.wi.gov/wisegrants/uniform-grant-guidance/writtenprocedures)

1. Verifying Allowable Costs

- ▶ Who is responsible for each grant in your district?
 - ▶ Budgeting vs. Expenditure
- ▶ How are staff informed on what is and is not an allowable cost?
- ▶ How does this work within your existing system for approvals?
- ▶ How are staff costs supported?
- ▶ Who makes final decisions on what's allowable?

2. “Cash Management”

- ▶ Covers a variety of basic internal controls
 - ▶ Cash Handling
 - ▶ Purchasing
 - ▶ Receiving
 - ▶ Payment
 - ▶ Payroll
- ▶ Tie those controls back to grants

Cash Handling

- ▶ How are funds received?
 - ▶ ACH
 - ▶ Credit card & other electronic payments
 - ▶ Cash and checks
- ▶ Who splits cash handling duties?
- ▶ Who reconciles bank accounts? How often?
- ▶ Advance payments on federal grants
 - ▶ Minimize time holding federal funds
 - ▶ Actually pretty rare in our world

Purchasing

- ▶ How is a purchase initiated?
 - ▶ Generating P.O.s
 - ▶ Using P-cards
 - ▶ Using credit cards
- ▶ How are purchases approved?
- ▶ What about contracts (procurement)?
- ▶ How are purchases tied to the grant?
 - ▶ Allowable?
 - ▶ Budgeted?

Receiving and Payment

- ▶ How is receipt of goods/services verified?
- ▶ How are assets tracked?
- ▶ What happens if something is damaged or not received?
- ▶ How are invoices processed?
 - ▶ Approvals
 - ▶ Documentation
 - ▶ Payment

Federal Grant Claims

- ▶ How are claims prepared and documented?
 - ▶ Recording expenditures
 - ▶ Verifying payment
 - ▶ Confirming allowability
- ▶ How often are claims filed?
 - ▶ Year-end claims by September 30
 - ▶ Obligation vs. expenditure vs. liquidation

Payroll

- ▶ How are staff funding decisions made? Implemented?
 - ▶ Single vs. split funding
 - ▶ Payroll setup
- ▶ How are you tracking time for split funded staff?
 - ▶ Time and Effort documentation
- ▶ Who is reviewing time documentation & verifying work was completed?

3. Conflict of Interest

- ▶ What is a conflict?
 - ▶ Should already be defined by Board policy
- ▶ How are conflicts disclosed?
 - ▶ Internally
 - ▶ To DPI
- ▶ What happens if there is a conflict?
- ▶ What about gratuities?

Basic Don'ts and Dos

DON'T...

- ▶ Just copy a sample or another district's procedures
- ▶ Reimagine procedures from scratch
- ▶ Assume your mental picture matches up with reality

DO

- ▶ Look to samples & other procedures for ideas & structure
- ▶ Use existing procedures as starting point
- ▶ Take advantage of the opportunity to check in with folks

Remember

- ▶ DPI is not out looking for districts to punish
 - ▶ Written procedures are about protection on the front end, not consequences on the back end
- ▶ Auditors are not there to make your life difficult
 - ▶ Opportunities to leverage for change
- ▶ Written procedures are not meant to make your job more complicated
 - ▶ Overcomplicated procedures are meaningless
- ▶ Don't let perfect be the enemy of the good



Written Procedures in Your District

From an auditor's perspective

David Maccoux, Shareholder

Schenck 

Overview of Required Policies/Procedures

- ▶ Changes in written policies and procedures
 - Cash Management Procedure (§ 200.302(b)(6) & § 200.305)
 - Written Cost Allowability Procedure (Subpart E—Cost Principles of the Uniform Grant Guidance)
 - Conflict of Interest Policy (§ 200.318(c))
 - Mandatory disclosures (§200.113)
 - Record Retention and Access (§200.333 - §200.337) policies
 - Financial Management (§200.302)
 - Capitalization Policy (§200.33)
 - Procurement Procedures (§ 200.319(c))
 - Travel Policy (§ 200.474(b))
- ▶ Schenck's Uniform Grant Guidance
 - Available at www.schencksc.com/UGGPolicies

New Procurement Standards

- ▶ Effective Date – originally December 26, 2014; revised to allow for a ***grace period***
 - Two full fiscal years after the effective date of Uniform Guidance
 - Calendar year grace period ends December 31, 2016
 - June 30th fiscal year grace period ends June 30, 2017
 - Compliance with the old or new standard must be documented each year of the grace period.
 - You should review procurement policies and procedures based on the documented standard.

My Thoughts

- ▶ Why the increased emphasis on written procedures?
 - Uniform Grant Guidance
 - What is the difference between financial reporting and compliance with federal and state grant awards?
 - Challenges
 - Feeling overwhelmed?
 - Can we just use another District's policies and procedures.
- ▶ Documentation should focus on key controls
 - What do auditors expect to see?

Process vs. Control

Process Narrative

- ▶ A written description of business practices to create, record, transfer, or change information.
- ▶ A process narrative details the steps required from initiation to completion to achieve an objective.

Control Documentation

- ▶ A written description of methods to prevent, detect, or correct errors from occurring.
- ▶ May include:
 - Control objective type
 - Preventive
 - Detective
 - Responsible employee
 - Frequency

Internal Control – Auditee Responsibility (§200.303)

- ▶ The non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- ▶ Internal controls should be in compliance with guidance in:
 - “Standards for Internal Control in the Federal Government” [Green Book] issued by the Comptroller General of the United States, and
 - the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- ▶ Use of “should” in Uniform Guidance indicates a “best practice” and is not a presumptively mandatory requirement

Internal Control – Auditor Responsibility (§ 200.514(c)(2))

- ▶ Auditors must perform procedures to obtain an understanding of internal control over federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs.
 - Plan testing of internal control over the relevant compliance requirements for each major program
 - Perform testing of internal control as planned
 - Report on internal control over compliance

COSO: 5 Components and 17 Principles of Effective Internal Control

Control Environment	Risk Assessment	Control Activities	Information & Communication	Monitoring Activities
<ul style="list-style-type: none">• Demonstrates commitment to integrity and ethical values• Exercises oversight responsibility• Establishes structure, authority and responsibility• Demonstrates commitment to competence• Enforces accountability	<ul style="list-style-type: none">• Specifies suitable objectives• Identifies and analyzes risk• Assesses fraud risk• Identifies and analyzes significant change	<ul style="list-style-type: none">• Selects and develops control activities• Selects and develops general controls over technology• Deploys through policies and procedures	<ul style="list-style-type: none">• Uses relevant information• Communicates internally• Communicates externally	<ul style="list-style-type: none">• Conducts ongoing and/or separate evaluations• Evaluates and communicates deficiencies

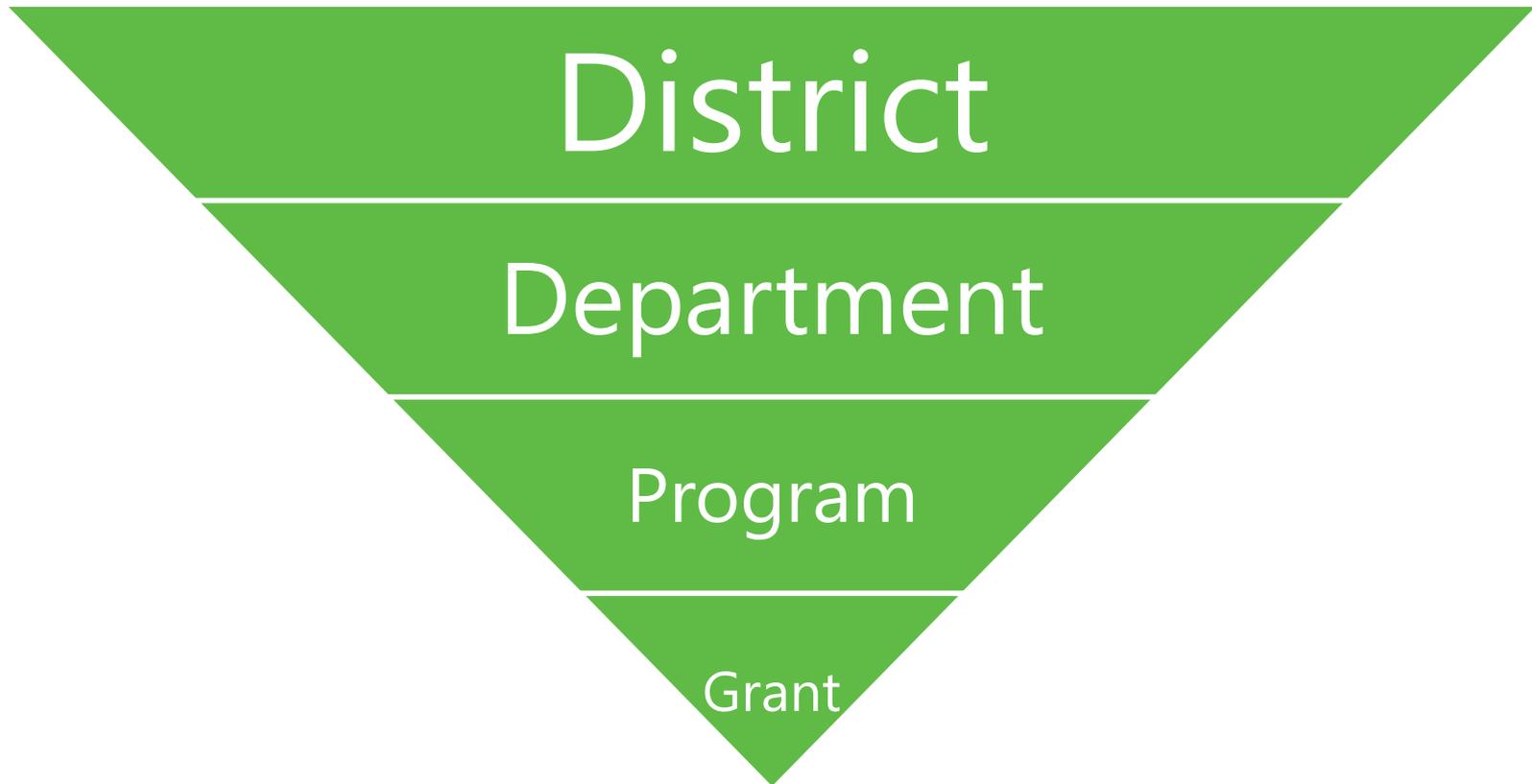
Internal Control – Design and Implementation Versus Effectiveness

- ▶ Test of design and implementation
 - Auditor will walk through our understanding based on
 - Conclusion: Control has been properly designed and implemented
- ▶ Test of operating effectiveness
 - Test key control attributes
 - Conclusion: Control is effective
- ▶ If control not effective, a potential finding would be reported

Operating Effectiveness

- ▶ Tests of operating effectiveness different than determining that control has been implemented
- ▶ Evidence of who, when, what
- ▶ How does an auditor assess:
 - Inquiries
 - Inspection of documents indicating performance
 - Observation of application of specific controls, as documented in your policies and procedures
 - Reperformance of controls by the auditor
- ▶ Generally involves combination of procedures

Levels of Organizational Structure



Your internal controls become more focused as you move down your organizational structure

